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OPEN MEETING AGENDA ITEM



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2012 MAY 14 P 4: 03

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Docket No. E-01345A-11-0224

Dear Colleagues and Parties:

In my review of APS's application for rate increase and the proposed settlement agreement, I have some questions that I would like to be discussed at the Open Meeting. It would be helpful if the parties would be prepared to address the following matters during the course of the Open Meeting. The Commission's discussion and your responses will be helpful in my full consideration of this matter.

1. Section 1.5 states that the settlement has an "overall zero dollar base rate increase." However, the cost of adding the ~\$700 million requested by APS to purchase and retrofit 2 large coal units at Four Corners will actually increase the rates by at least 3%, correct?

a. What is the range of increase in terms of percentage? In other words, could the increase be 4%? 5%? Or higher?

b. The cost of Four Corners will be included in an *adjustor* mechanism rather than base rates. Is using an adjustor mechanism for this type of purchase prudent? I believe the purpose of adjustor mechanisms is to allow volatile expenses such as fuel costs to be recovered without the expense of a rate case. Do you think we should allow an adjustor mechanism to be used for expenses such as property taxes? Should an adjustor be used for a known and predictable amount such as the purchase and retrofit of two coal units at Four Corners?

c. What will the TOTAL cost of Four Corners be, including carrying charges, profit, etc. for each year, over the lifetime of the project, including cumulative totals?

d. What will the rate impact of Four Corners be for the years 2013-2033?

2. When Solana Generating Station comes online, will it be rate-based or included in surcharges? When do you expect Solana to come online?

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3. Per Section 9.9, would APS consider funding a program such as the Eco-Stewards for \$150,000? [http://www.apogee.net/news/pressreleases/12-02-08/Georgia\\_Power\\_to\\_pilot\\_energy\\_education\\_environmental\\_stewardship\\_program\\_in\\_Chatham\\_County\\_high\\_schools.aspx](http://www.apogee.net/news/pressreleases/12-02-08/Georgia_Power_to_pilot_energy_education_environmental_stewardship_program_in_Chatham_County_high_schools.aspx) This program is currently being used by Georgia Power.
4. Would APS be willing to include a pilot that would allow 100 kW of Virtual Net Metering; and 500 kW of Aggregated Net Metering?
5. How do residential customers benefit from the buy-through rate for industrial and large customers? What do these large customers pay per kWh for electricity?
6. Per Section 7.2, what is the cost of environmental compliance chemicals for APS' power plants? Please list for each unit of each power plant and also provide an aggregate summary.
7. Per Section 9.7, please list each customer, each customer's estimated capacity requirement, and each customer's energy usage, and each of these by rate class, for the large General Services customers who will be exempt from unrecovered fixed costs.
  - a. Is simply Section 9.7 an 'end-run' to accomplish retail electric deregulation? Why or why not?
8. Per Section 9.8, what will it cost APS to implement the ability for residential customers to opt out of the LFCR?
9. Approximately what is the difference in revenues APS would realize from implementing full decoupling v. LFCR?
10. Per Section 9.16, would APS want to put more than \$10 million in DSM costs into base rates?
11. Per Section XI, does APS recognize that the health benefits of coal compliance rules are 5-13 times the compliance costs? <http://insights.wri.org/news/2011/12/epa-mercury-and-air-toxics-rules-power-plants-20-years-making>
12. Per Section 12, does this allow APS to defer its property tax bill so that it can use it at any future date APS chooses?
13. Per Section 16.1, will APS allow any interested stakeholders, as well as Commission staff and Commissioners' staff, to participate in a process to modify its bill presentation? By 'simplifying' the bill presentation, does APS mean to change or reduce the amount of information shown, or will APS add critical information such as pollution, water use, etc? By 'pollution,' I mean a separate listing of all the regulated toxics.

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14. Per Section 19.1, does APS consider extreme weather events to be a form of 'force majeure'? In other words, if AZ had a drought similar to the drought experienced by Texas in 2011, would that be a 'force majeure' event? How high would temperatures have to rise before APS would consider them 'force majeure'?

Thank you and I look forward to discussing these matters with you.

Sincerely,

A handwritten signature in black ink that reads "Paul Newman". The signature is written in a cursive style with a large, stylized "P" and "N".

Paul Newman  
Commissioner

**ORIGINAL** and **13 COPIES** of  
the foregoing filed this 14th day  
of May, 2012, with:

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Arizona Corporation Commission  
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Phoenix, AZ 85007

**COPIES** of the foregoing  
Electronically mailed this  
14<sup>th</sup> day of May, 2012 to:

All Parties of Record